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**Research Report: Analyzing the Drivers of the Ghanaian Cedi’s Recent Appreciation Against the US Dollar**

**Abstract**

The Ghanaian Cedi (GHS) has appreciated to GHS 13.47 per US Dollar (USD) as of May 6, 2025, achieving a 7.44% year-to-date gain after a 45.1% depreciation in 2022. This report by the GITFiC examines the drivers of this appreciation, including monetary interventions, the Goldbod initiative, IMF support, fiscal discipline, market sentiment, and the US dollar’s depreciation due to the US tariff war. Using quantitative and qualitative data, the GITFiC finds that short-term gains are robust, but long-term stability requires addressing import dependence and commodity price volatility. A USD/GHS exchange rate chart from January to May 2025 illustrates the appreciation trend. Our Policy recommendations focus on export diversification, enhanced monetary strategies, and sustained fiscal reforms to ensure Cedi resilience.

**1. Introduction**

The Ghanaian Cedi’s appreciation from GHS 16.5298/USD in November 2024 to GHS 13.47/USD in May 2025 marks a significant recovery from its 2022 status as the world’s worst-performing currency. With a 5.3% gain in April 2025, this trend strengthens Ghana’s economic outlook. Given Ghana’s reliance on gold and cocoa exports and its import-driven economy, it is vital for policymakers to understand the drivers of this appreciation. Our report analyzes the key factors behind the Cedi’s strength, evaluates its sustainability, presents a chart of exchange rate trends, and proposes policies to maintain currency stability.

**2. Data and Sources**

This study by the GITFiC draws on the following:

* **Quantitative Data**: Exchange rates (GHS 13.47/USD, May 6, 2025) and historical trends from the Bank of Ghana (BoG), Trading Economics.com, and XE.com; foreign exchange reserves ($11.4 billion, March 2023); Treasury Bill yields (91-day at 15.32%). USD/GHS exchange rate data for January–May 2025 is sourced from BoG, Trading Economics.com, and Wise, with approximations for missing daily rates based on reported trends (e.g., 6.39% appreciation in April 2025).
* **Qualitative Data**: Policy announcements and economic reports from the BoG, International Monetary Fund (IMF), and financial analyses (e.g., Woodhall Capital).
* **Limitations**: Secondary data may lack granularity, and rapid policy changes could affect findings. Chart data includes approximations due to incomplete daily records.
* **3. Findings**

Five primary drivers explain the Cedi’s appreciation to GHS 13.47/USD:

**3.1 Bank of Ghana’s Foreign Exchange Interventions**

* **Description**: The BoG injected $490 million into the forex market in April 2025, increasing dollar supply while enforcing tight liquidity measures.
* **Impact**: The interbank rate fell from GHS 15.36 to 14.91 overnight, contributing to the 13.47 rate, signaling strong monetary control.

**3.2 Goldbod Initiative**

* **Description**: The Goldbod program purchases 20% of Ghana’s monthly gold output (approx. 40kg) in Cedis, converting exports into USD to boost reserves.
* **Impact**: Reserves covering over four months of imports enhance investor confidence, supporting the 13.47 rate.

**3.3 IMF Support and Economic Reforms**

* **Description**: The IMF’s $3 billion Extended Credit Facility (2023) increased reserves to $11.4 billion and enforced fiscal reforms, reducing inflation.
* **Impact**: A 33% Cedi gain since November 2022 reflects improved fundamentals, sustaining the 13.47 rate.

**3.4 Fiscal Discipline**

* **Description**: Reduced government spending and high Treasury Bill demand (GHS 7.27 billion bids vs. GHS 6.15 billion target) under Finance Minister Dr. Cassiel Ato Forson signal fiscal prudence.
* **Impact**: Declining T-Bill yields (91-day at 15.32%) reduce debt pressure, indirectly supporting the Cedi.

**3.5 Market Sentiment and External Factors**

* **Description**: High commodity prices (gold at $3,227/oz, cocoa near $10,000/ton) and political stability under President Mahama drive forex inflows.
* **Impact**: Positive sentiment supports the 13.47 rate but introduces volatility (10-15 pip spreads).

**3.6 US Dollar Depreciation Due to US Tariff War**

**Description:** The US imposed tariffs on April 2, 2025, including a 10% baseline on imports from 180 countries and higher Duties on major trading partners like China (54%), leading to a trade war. Contrary to standard theory predicting dollar appreciation from reduced import demand, the dollar depreciated, with the DXY index falling nearly 10% since January 2025 and 1% on April 3, 2025, against major currencies like the euro and yen.

**Impact:** The dollar’s decline, driven by foreign equity portfolio rebalancing away from US assets and global uncertainty (VIX index spike post-tariffs), has bolstered the Cedi’s relative strength. Retaliatory tariffs from China, the EU, and others neutralized potential dollar appreciation, while concerns over US economic stability reduced demand for dollar-denominated assets, contributing to the Cedi’s appreciation to 13.47 GHS/USD.

**4. Exchange Rate Trend: January to May 2025**

The USD/GHS exchange rate has steadily declined, reflecting Cedi appreciation. The table below summarizes key data points from January 1, 2025, to May 6, 2025, based on available sources and approximations for missing daily rates.

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| --- | --- | --- |
| **Date** | **USD/GHS Rate** | **Notes** |
| Jan 1, 2025 | 14.95 | Reported by BoG and CEIC Data |
| Feb 1, 2025 | 14.80 | Approximated based on gradual decline |
| Mar 1, 2025 | 14.65 | Approximated; aligns with IMF reform impact |
| Apr 1, 2025 | 15.4951 | Reported; pre-intervention high |
| Apr 27, 2025 | 14.458 | Weekly low; post-BoG $490M injection |
| May 2, 2025 | 13.922 | Weekly high; Wise data |
| May 6, 2025 | 13.47 | Current rate |

*Source: Bank Of Ghana*

**Chart Description**: A line chart plotting these rates would show a downward trend from 14.95 GHS/USD in January to 13.47 GHS/USD by May 6, with a notable dip in April following BoG interventions. The 6.39% appreciation in April aligns with the data, reflecting a 1.5731 GHS/USD decline from April 1 to May 6.

**5. Discussion**

* **Sustainability**: Forex injections and sentiment provide short-term gains, while Goldbod and IMF reforms offer structural stability. Ghana’s import dependence and commodity price volatility, evident in the 2022 depreciation (55% loss), pose risks.
* **Volatility**: The Cedi’s 3.853% weekly gain and fluctuations (e.g., GHS 13.922 on May 2, 2025) highlight the need for consistent policies.
* **Critical Perspective**: Overreliance on gold and IMF funds exposes Ghana to external shocks. Some analyses attribute appreciation to global factors (e.g., US economic trends), suggesting debate over domestic policy impacts.
* **Comparative Context**: The Cedi’s 33% gain since 2022 outperforms peers like Nigeria’s Naira, but structural vulnerabilities persist.

**6. Policy Recommendations by The GITFiC**

To sustain the Cedi’s appreciation and mitigate risks we recommend the following:

1. **Diversify Exports**: Promote non-traditional exports (e.g., processed cocoa, technology) to reduce reliance on gold and cocoa.
2. **Enhance Goldbod**: Accelerate implementation and explore initiatives for other minerals to bolster reserves.
3. **Sustain Fiscal Discipline**: Maintain low borrowing and competitive T-Bill yields to minimize debt pressure.
4. **Refine Monetary Policy**: Balance forex interventions with structural reforms to reduce reserve depletion risks.
5. **Improve Transparency**: Communicate BoG and IMF actions clearly to sustain market confidence and reduce volatility as recommended in our first research paper: *Exchange Rate Stability in Ghana*
6. **Monitor Global Trade**: Track US tariff war developments and their impact on the dollar to adjust forex strategies proactively.

**7. Conclusion**

The Ghanaian Cedi’s appreciation to GHS 13.47/USD is driven by BoG’s $490 million forex interventions, the Goldbod initiative, IMF-backed reforms, fiscal discipline, and positive market sentiment fueled by high commodity prices. The exchange rate chart from January to May 2025 illustrates a clear appreciation trend, with a 6.39% gain in April alone. While these factors have delivered robust gains, long-term stability requires addressing import dependence and external vulnerabilities. Policymakers should prioritize export diversification, sustained reforms, and transparent communication to ensure the Cedi’s resilience and support Ghana’s economic recovery.

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